

# ▶ Quality and Regulation of social housing in England

## ▶ Evidence submission to the Housing, Communities and Local Government Committee

### 1. Introduction

- 1.1. London Councils represents London's thirty-two boroughs and the City of London; making the case to government, the Mayor of London and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for residents and local businesses.
- 1.2. The committee inquiry comes at an important time for the social housing sector, and in particular for local authorities for whom the proposals outlined last year in the Social Housing White Paper would re-establish a form of proactive regulation, along with new performance standards (Tenant Satisfaction Measures).
- 1.3. London local authorities support the key proposals and ambitions outlined in the Social Housing White Paper aimed at improving the standard of landlord services, engagement with and treatment of tenants. In London, borough Housing Directors are working collaboratively to prepare for the new regulatory environment and to raise standards through a programme of sector-led self-improvement.
- 1.4. Local authority landlords represent a unique part of the social housing sector; being democratically elected by local residents, with a much wider remit for social change and different governance and management arrangements than Registered Providers more generally. London local authorities have valued the engagement of the Regulator of Social Housing and Housing Ombudsman as the sector prepared for fundamental change and are keen to work jointly with regulatory authorities to ensure the unique role of councils is reflected in the regulation when it is implemented.
- 1.5. The fundamental purpose of local authority landlords and housing associations is the provision of housing to those who would otherwise be unable to afford it. Social Housing providers are structurally motivated to want to provide this service. We fully support the increases in regulation, but would also like to see increased investment in social housing, especially in areas like decarbonisation and fire safety, where the ambitions of landlords and government align.

### 2. How widespread and serious are the concerns about the quality of social housing?

- 2.1. According to the English Housing Survey in 2019-20 12% of social rented homes (around 480,000) did not meet the Decent Homes Standard (DHS). In the private rented sector 23% of homes did not meet the DHS (around 1.1 million) and 16% of owner-occupied homes also failed to meet it. PRS homes were more than twice as likely than social stock to have one or more Category 1 hazard under the Housing Health and Safety Rating System. Whilst social housing stock is of better quality overall, our ambition must be that all social housing accommodation meets the required standard and provides a safe and secure home for tenants.

- 2.2. There is significant public concern around standards in the Social Housing sector, driven by publicised examples of poor standards in recent TV news coverage, and also the tragedy of the Grenfell tower fire. In addition, the Housing Ombudsman has been increasingly active in publicising housing standards, and failure to meet to those standards.
  - 2.3. London local authorities welcome the Social Housing White Paper as an opportunity to refocus efforts on achieving high standards in the sector, and to work in partnership with government, the regulator and ombudsman to achieve this.
  - 2.4. We know that there are particular challenges to achieving high satisfaction and management standards within urban areas such as London, and this is reflected in lower resident satisfaction scores. These challenges include the management of housing stock that is more frequently developed at higher densities, with significant amount of high-rise housing.
  - 2.5. One of the things these urban areas have in common is also, largely, incredibly high levels of housing need. Average house prices in London are 93% higher than the UK average compared to wages that are 49% higher. Inadequate provision of social housing can be seen in the enormous waiting lists – 250,000 Londoners are on borough waiting lists for council homes. There are around 165,000 homeless Londoners living in temporary accommodation, a near record level. This is more than the entire population of cities such as Norwich (143,000), Lancaster (146,000), or Oxford (152,400). evidence is well understood, but it is also relevant to conditions in social housing – as levels of overcrowding and a lack of ability for social landlords to use allocation policies to promote mixed and balanced communities do impact on stock conditions.
  - 2.6. Investment under the Decent Homes Standard led to a general improvement in the quality of homes, although this had a significant focus on conditions within individual units, with comparative underinvestment in common areas, ventilation, pipework and cladding. Revisions to the standard, which the government is currently engaging with the sector on, must include these areas (as well as issues such as net zero carbon ambitions) and be matched with a sufficient funding settlement to ensure delivery is viable.
  - 2.7. The quality of the landlord service and tenant experience is also impacted by the wider financial position of local government and public services, with the ability to leverage support areas such as welfare support, community policing, economic empowerment and place-based investment a critical factor.
- 3. What is the impact on social housing providers' resources, and therefore their ability to maintain and improve their housing stock, of the need to remediate building safety risks and retrofit their homes to make them more energy efficient?**
- 3.1. Building safety costs are significant, growing and largely funded through the HRA or general fund budgets. Government funding was ringfenced to address cladding issues for social blocks, with the broader building safety fund for the most part excluding local authorities. Research by the Local Government Association has estimated that to deliver compliance with the highest safety standards across the national HRA housing stock would cost £8.1 billion over a ten-year period. Achieving compliance with the current standard alone is estimated to cost £2 billion over the same period. Additionally, social landlords are not able to access the same levels of funding to support remediation from the Building Safety Fund – only for ACM buildings or to avoid passing charges on to leaseholders. Building safety is however just one of many pressures facing local authorities, who are having to deliver more with less.
  - 3.2. Due to the impact of the annual 1% rent cut implemented from 2016/17 (ending 2020/21), in nominal terms London Councils forecast that total Housing Revenue Account (HRA) income will not return to 2015/16 levels until 2022/23. HRA rental income across London is forecast to be £459 million lower this

year than it would have been had the CPI+1% rents policy remained in place. There has been a total impact of more than £3 billion forecast over the period from 2015/16 to 2024/25 following from this policy decision. We would like to have a dialogue with government regarding the overall HRA debt settlement given the large impact of the rent cut, which undermines the original settlement made.

3.3. At this time when available resources have been reduced, the demands on these resources have increased. There has also been a further estimated £100 million hit to borough HRA's in London from the pandemic. £32 million impact forecast this year (2021/22), of which nearly half (42%) derives from residential rent arrears. Councils have received no specific emergency support for the HRA impacts resulting from COVID-19, unlike for the general fund.

3.4. Despite the reduced resources, there are further resource requirements on HRA resources that will be challenging to fund without additional subsidy going forward.

3.4.1. Net zero carbon: London Councils has taken forward work to develop an action plan for home retrofitting all homes (across tenure) in the capital, with the objective of achieving an average EPC B rating. Data analysis for this project estimated that the cost of achieving net zero would be £98 billion in total. Even with council homes representing 10% of the total housing stock in London, this represents a significant investment requirement by local authorities.

3.4.2. New build: Councils have significant ambitions to deliver thousands of new homes across London. This represents a strategic priority for councils – not just in terms of addressing housing need, but also reducing council spending on homelessness (these pressures have driven up net spend on London's homelessness services from £160 million in 2010-11 to a budgeted £411 million in 2021-22).

3.4.3. Decent Homes: The government is also engaging with stakeholders around a revised Decent Homes standard for the social housing sector, although at present there is no additional money pledged by government to support providers in implementing this new standard.

3.5. The provisions of the Social Housing White Paper bring forward major changes to the regulation governing the sector, including implementation of a new programme of proactive regulation. The ability to deliver the high standards for tenants that landlords want to provide requires investment to maintain a high-quality service, including across asset management, maintenance and services.

#### 4. Is the current regime for regulating social housing fit for purpose?

4.1. The proposed regulatory changes outlined in the Social Housing White Paper are welcome. In comparison to other Local Authority areas of responsibility, such as Children's Services, local authority social housing has not been regulated as closely. The regulatory regime at present is not proportionate to the responsibilities and risks held by the sector given the centrality of housing to all aspects of residents' quality of life and life opportunities.

4.2. Local authorities welcome the opportunity to work with the Regulator of Social Housing (RSH) on the implementation of white paper proposals and to help find the appropriate balance of regulation. There is broad support for the white paper's objectives. A higher-level approach to sector regulation that sets the parameters for providers would be an appropriate outcome from the changes in the Social Housing White Paper, rather than an attempt to achieve a detailed, prescriptive, regulatory system. Under a higher-level system, local authorities may set out their assurance frameworks for consideration to demonstrate they are in line with regulatory requirements and that they are being met.

4.3. Local Authority landlords are particularly interested that any regulatory regime reflects the unique role they have in the social housing sector as democratically elected entities, led by councillors rather than a Board of Directors, and with a wider remit and responsibility to effect change and deliver services

in their local area. Successful delivery of the objectives the white paper requires a wider partnership approach between councils, the regulator and central government. Adjustments to the regulatory regime must take account of the wider services that residents require to meet their needs, including in relation to health, policing, economic inclusion, welfare and community investment. Frequently these services are not adequately funded and supported, with local authorities having had to fill the gaps left by under-resourced services that are essential to delivering the objectives of the white paper.

## **5. How clearly defined are the roles of the Regulator of Social Housing and the Housing Ombudsman?**

- 5.1. Clarity on the division of roles and responsibilities between the RSH and Housing Ombudsman within the regulatory environment that is developed from the Social Housing White Paper will be vital to the success of that system. Within this system there is also a need for coordination between the RSH and Housing Ombudsman with the Local Government and Social Care Ombudsman in its housing related functions (e.g., on housing allocations). The role of the new Building Safety Regulator on higher risk buildings will also be important to coordinate, especially in those areas, like central London, where there are a high number of socially rented high rise buildings. We appreciate the efforts between the agencies to ensure there is clarity moving forward and are keen to work with them to help ensure regulation is understood and help with the clarification of roles and responsibilities. In relation to the RSH and Housing Ombudsman, the former should continue to hold a more strategic role in setting and enforcing the high-level rules for the system, while the Ombudsman (while still a strategic body) can take a judgement on individual cases of standards within the property.
- 5.2. The Housing Ombudsman has recently adopted a more strategic approach to social housing complaints with the publication of league tables on specific issues, which has occurred in the context of the sector working closely with the RSH on the development of Tenant Satisfaction Measures (TSMs). This approach suggests a need for greater clarity about respective roles.
- 5.3. Local Authority landlords' focus is on the development of a regulatory regime which will highlight concerns with the goal of preventing the occurrence of issues and complaints, through systematic improvement and tenant engagement. We value engagement with the RSH and Housing Ombudsman and the opportunity to help develop this system and clarify expectations.

## **6. Does the current regime allow tenants to effectively resolve issues?**

- 6.1. There is a need to strengthen contact systems for both repair requests and complaints, it is critical that these systems work well. There is a concern among landlords that some tenants address complaints through legal routes without first raising issues with the landlord, which can in some cases slow down the responses to the issues. It is important that landlords ensure clarity over how the complaints process is accessed and managed. From the perspective of tenants the escalation of complaints to Housing Ombudsman can be complex and difficult to navigate, we would support simplification and efforts to communicate the Ombudsman's role to tenants more clearly.
- 6.2. A critical issue in the delivery of the new Tenant Satisfaction Measures in relation to complaints will be an ability to contextualise the level of complaints raised with the landlord. A high number of complaints received may be indicative of a more transparent and open system. Tenant satisfaction and speed at which complaints are addressed will be important context for this metric.

## **7. Do the regulator and ombudsman have sufficient powers to take action against providers?**

- 7.1. The powers of the Regulator of Social Housing and Housing Ombudsman should continue to develop as part of the Social Housing White Paper proposals. From the local government perspective, we support an approach whereby high-level regulatory standards are established and providers judged against those, rather than an overly prescriptive approach that seeks to pick up all aspects of providers varied activities.

7.2. The RSH's new TSMs and consumer standards should provide a useful approach to judging compliance, while providers should also be able to demonstrate an assurance framework that clearly shows the regulatory authorities how standards are being met.

**8. Will the reforms proposed in the social housing White Paper improve the regime and what progress has been made on implementing those reforms?**

8.1. London Councils fully supports the SHWP's objectives and proactive regulation of the social housing sector. The white paper proposals will significantly change how councils manage their landlord services and how they engage with residents. The new regulation will also change the nature and level of public scrutiny placed on landlord services and aid residents in holding landlord services to account.

8.2. From the perspective of local authority landlords, it is critical that any legislation reflects the wider public role that councils play, particularly where this role intersects with the priorities of the white paper. The council has a role in addressing the challenges of deprived areas and vulnerable residents, this role is unique and wide ranging. The local authority landlord's role must be understood in the context of underfunded wider public services, delivery of the white paper's priorities must be understood in terms of a system wide approach at the total resources required to meet tenants' needs.

8.3. Social housing regulation should also reflect the unique status local authorities have as democratic institutions with a leadership of elected representatives rather than a Board of Directors consisting of housing professionals with expertise in the technical challenges of the sector.

8.4. London Councils in partnership with the London Housing Directors' Group has begun a work programme to support the implementation of the white paper. An immediate focus has been the strengthening of approaches for peer-learning and self-improvement for housing sector across London Boroughs. Additionally, work has begun on the development of a benchmark for excellence in a landlord service and the further work on the development of an outline assurance framework to support the implementation of white paper priorities.

**9. What changes, if any, should the Government make to the Decent Homes Standard?**

9.1. In the context of high-density social housing the absence of provision for block wide factors which effect housing quality and safety should be addressed in changes to the Decent Homes Standard. The Thermal Comfort aspect of the standard also needs to be central to a revised standard given the statutory duty to achieve net zero carbon by 2050.

9.2. The critical aspect of any change to the standard is funding, the review process so far has left the question of funding unaddressed. Net zero carbon will require the retrofitting of all homes across London. Analysis undertaken by London Councils and the London Housing Directors' Group found that the cost of achieving net zero across all of London's housing stock (cross-tenure) is around £98 billion (£26,000 per property). The local authority housing stock represents just over 10% of all homes in London and achieving net zero for councils is unaffordable withing current resourcing levels. These cost estimates focus purely on energy and insulation measures and not inclusive of items such as kitchen and bathroom standards previously included in the current Decent Homes standard.

9.3. Funding for the revised Decent Homes standard needs to be part of a prolonged programme of funding that can be drawn down as works are undertaken. In light of current pressures on the HRA, revising the standard without making provision for funding will not lead to meaningful improvements.

**10. Should the Decent Homes Standard be amended to include energy efficiency and other means of mitigating climate change, and if so how?**

10.1. Twenty-eight London Local authorities and the Mayor of London have declared a climate emergency and a statutory requirement is in place to achieve net zero carbon by 2050. London local authorities have also set a target to achieve an average EPC B rating across all properties in London by 2030. Homes account for roughly 36% of all carbon emissions in London, while it is estimated that 80% of the homes that will be in use in 2050 have already been built

10.2. Improvements to energy efficiency will be critical in achieving net zero, and in light of the climate emergency and the government's response in the form of statutory requirements, it is critical that the new Decent Homes standard should include energy efficiency and climate mitigation. From discussions so far with DLUHC we understand that no funding is expected to be put forward to support the sector achieve the new standard, which would be an unacceptable outcome given the scale of challenge and other pressures on local authority HRAs.

**11. Should all providers of social housing, not just councils, be required to register with the regulator?**

11.1. Social housing providers should be working to the same fundamental rules and expectations regarding landlord standards and tenant experience (albeit with specific regulatory differences for services providing specialist support – such as care). It is however important that the regulation reflects the differences in governance arrangements and remit between local authorities and the rest of the social housing sector.

**12. What challenges does the diversification of social housing providers pose for the regulatory system?**

12.1. Other respondents are better placed to answer this question.